



## NUVOCO VISTAS CORPORATION LIMITED

### POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

Date: May 20, 2022

#### I. OBJECTIVE

Section 188 of the Companies Act, 2013, as amended and the rules notified thereunder (the “Companies Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations”), require companies to have enhanced transparency and due process for approval of related party transactions. Pursuant thereto, the Company has formulated this policy on materiality of related party transactions and also on dealing with related party transactions (the “Policy”). This Policy was last amended by the Board of Directors on April 7, 2021.

#### II. DEFINITIONS

- (a) “**Arm's Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (b) “**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act and includes:
- Managing Director or Chief Executive Officer or Manager;
  - Whole Time Director;
  - Chief Financial Officer; and
  - Company Secretary.
- (c) “**Material Modification**” means value of the modification individually or taken together with modifications during a financial year, which exceeds 20% of the original transaction as approved by the Audit Committee including through omnibus approval and / or the shareholders.
- Any other modifications, which as per the directions of Audit Committee may deemed to be material on case to case basis.
- (d) “**Related Party**” shall have the same meaning as assigned to in the Companies Act and Listing Regulations.
- (e) “**Related Party Transaction**” means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- (f) “**Relative**” mean such person as defined in Section 2(77) of the Companies Act.
- (g) “**Ordinary Course of Business**” means a transaction which is:
- Carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
  - Carried out historically with a pattern of frequency;
  - Common commercial or established trade practice;

- Carried out for the business purpose irrespective of its frequency;
- The income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity;
- Meets any other parameters / criteria as decided by the Board / Audit Committee from time to time at any time.

### **III. Transactions between Company and Related Parties and Materiality Threshold**

Transactions between the Company and Related Parties shall be entered into in the manner that is compliant with the applicable provisions of the Companies Act and the Listing Regulations.

#### Materiality Threshold:

The following transactions with the Related Party(ies) shall be treated as "Material":

- any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year which exceeds rupees one thousand crore or 10% of the annual consolidated turnover of the Company as per the last consolidated audited financial statements of the Company, whichever is lower or such sum as may be prescribed under the Companies Act or Listing Regulations as amended from time to time.
- any transaction involving payments to a related party with respect to brand usage or royalty entered into individually or taken together with previous transactions during a financial year which exceeds 5% of the annual consolidated turnover of the Company as per the last audited consolidated financial statements of the Company or such sum as may be prescribed under the Companies Act or Listing Regulations as amended from time to time.

### **IV. Approval and/or Prohibitions related to Related Party Transactions**

#### **(i) Approval of Audit Committee**

- All Related Party Transactions and subsequent material modifications shall be placed before Audit Committee for prior approval of the Audit Committee, as required under the provisions of the Companies Act and the Listing Regulations.
- However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
  - a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
  - b) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
  - c) The omnibus approval shall specify:
    - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
    - ii. the indicative base price / current contracted price and the formula for variation in the price if any; and
    - iii. such other conditions as the Audit Committee may deem fit.
- Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1,00,00,000/- (Rupees One Crore) per transaction.
- The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given.
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- In case any transaction involving any amount not exceeding Rs.1,00,00,000/- (Rupees One Crore) is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee, such transactions can be ratified by the Audit Committee within three months from the date

of the transaction, and if it is not ratified then such transaction shall be voidable at the option of the Audit Committee and if such transaction is with the related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

- In case of transaction, other than transactions referred to in Section 188 of the Companies Act and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

**(ii) Approval of the Board**

As per Section 188 of the Companies Act, all transactions specified under the said Section, which are not in the ordinary course of business and / or not on arm's length basis, would mandatorily be required to be placed before the Board for its consideration and approval.

In addition to the above, the following kinds of transactions with Related Parties shall also be placed before the Board for its approval:

- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or arm's length basis and decides to refer the same to the Board for its consideration and approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which the Audit Committee's view require Board's approval;
- Transactions meeting the materiality threshold laid down in this Policy which is intended to be placed before the shareholders for approval;
- Transactions in respect of selling or disposing of the undertaking of the Company.

**(iii) Approval of the Shareholders**

- a) All the transactions with Related Parties meeting the materiality thresholds, laid down in this Policy, and all subsequent material modifications to such transactions shall be placed before the Shareholders for prior approval.
- b) All kinds of transactions specified under Section 188 of the Companies Act which exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for its approval. Where obtaining of prior approval is not possible, the transactions if entered into by a Director or any other employee, shall be subject to ratification within three months from the date on which such contract or arrangement was entered into. If not ratified, it shall be voidable at the option of the shareholders and if the contract or arrangement is with a related party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

**V. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of any Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the said Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without appropriate approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee shall have the authority to modify or waive any procedural requirements of this Policy.

## **VI. Transactions which do not require approval**

The following Related Party Transactions shall not require prior approval of Audit Committee or Board or Shareholders, unless the Companies Act require otherwise:

- i. Any transaction(s) between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated with the accounts of the Company and placed before the shareholders at the general meeting for approval.
- ii. Any transaction that involves payment of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- iii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro-rata as the Related Party.

## **VII. Disclosure**

- a) The Company shall disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Companies Act with the Related Parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- b) The Company is required to disclose each year in the Financial Statements and report of the Board of Directors certain transactions between the Company and its Related Parties. Further, this Policy shall be approved by the Board and uploaded on website of the Company.
- c) The Company shall submit, disclosures of Related Party Transactions in such manner and in the format specified by the Securities and Exchange Board of India, from time to time, to the Stock Exchanges and publish the same on its website.

## **VIII. Amendment**

In the event of any conflict between the provisions of this Policy and the Listing Regulations or the Companies Act or any other statutory enactments, rules, the provisions of such Listing Regulations or the Companies Act or statutory enactments, statutory provisions shall prevail over this Policy.

Any subsequent amendment/modification in the Listing Regulations or the Companies Act or any other applicable laws, direction or clarification by SEBI, provision of this Policy shall be read and implemented in context of such amended/modified or clarified positions.